

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature – Second Regular Session

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COMMITTEE ON AGRICULTURE, WATER AND LANDS

Report of Regular Meeting
Thursday, January 28, 2016
House Hearing Room 3 -- 9:00 a.m.

Convened 9:06 a.m.

Recessed

Reconvened

Adjourned 10:32 a.m.

Members Present

Mrs. Benally
Mrs. Cobb
Ms. Fann
Mrs. Gabaldón
Mr. Montenegro
Ms. Otondo
Mr. Pratt
Mr. Shope
Mr. Mitchell Vice-Chairman
Mrs. Barton, Chairman

Members Absent

Agenda

Original Agenda – Attachment 1

Request to Speak

Report – Attachment 2, 3

Presentations

<u>Name</u>	<u>Organization</u>	<u>Attachments (Handouts)</u>
Tom Buschatzke, Director	Arizona Department of Water Resources	4
Virginia O'Connell, Mgr.	Arizona Water Banking Authority	5

Committee Action

<u>Bill</u>	<u>Action</u>	<u>Vote</u>	<u>Attachments (Summaries, Amendments, Attendance)</u>
HB2331	DP	9-0-0-1	6,7
	Committee Attendance		8

April Riggins

April Riggins, Chairman Assistant
February 2, 2016

(Original attachments on file in the Office of the Chief Clerk; video archives available at <http://www.azleg.gov>)

Information Registered on the Request to Speak System

House Agriculture, Water and Lands (1/28/2016)

1, Presentation by: Tom Buschatzke, Director, Arizona
Department of Water Resources

2, Virginia O'Connell, Manager, Arizona Water Banking Authority

HB2331, small water systems fund; appropriation

Testified in support:

Lori Lustig, Arizona Corporation Commission; Paul Walker, ARIZONANS FOR RESPONSIBLE WATER POLICY

Support:

Chad Guzman, AZ PUBLIC SERVICE COMPANY (APS); Gary Yaquinto, AZ INVESTMENT COUNCIL; Steven Eddy, TUCSON ELECTRIC POWER COMPANY; Gibson McKay, ARIZONANS FOR RESPONSIBLE WATER POLICY

All Comments:

Lori Lustig, Arizona Corporation Commission: This emergency grant of funds to small water systems (500 connections or less) is an important tool for the ACC to keep water flowing to customers.; Paul Walker, ARIZONANS FOR RESPONSIBLE WATER POLICY: On behalf of Arizonans for Responsible Water Policy, I support the passage of HB 2331.

ARIZONANS FOR RESPONSIBLE WATER POLICY

The Need for the Small Water Systems Fund

Paul Walker, Chairman
Arizonans for Responsible Water Policy

Members: Arizona Water Company, Global Water,
Liberty Utilities

January 28, 2016; Presented to Arizona House of Representatives,
Committee on Agriculture, Water and Lands

Outline of Presentation

- Projects undertaken and executed by Responsible Water
- Emergency Rate Case filings at the ACC
- Interim Operator Orders at the ACC
- Each of these elements address the challenges facing Arizona's private water industry. There are 282 private water companies in Arizona; over half of which are small entities with gross revenues under \$500,000 per year.

Responsible Water Projects

Over \$1,160,000 provided to 4 failing companies throughout Arizona over the past decade. None of the money was recovered in rates or through any other regulatory mechanism.

Windsong Water (Apache County)

- \$90,000 over 1.5 years
 - Rebuilt booster tanks
 - Well casing collapse repaired
 - Electrical system rebuilt to code
 - Repaired leaky pipes throughout system

Hacienda Acres (Pinal County)

- \$790,000 (2007-2015)
 - 24 residences, one apartment building with 11 apartments
 - Water hauling after well collapsed
 - Bottled water delivery to each resident every week because water failed to meet Nitrate standards
 - Numerous repairs to lines throughout system

Sabrosa (Maricopa County)

- \$250,216 (2005-2007)
 - Line breaks
 - Well failures
 - Arsenic remediation



Desert Hills (Maricopa County)

- Approximately \$30,000
 - Emergency interconnection with neighboring utility to provide potable water after well went dry

Emergency Rate Case Filings

18 Emergency Rate Cases have been filed in the past decade. These filings are made when the company has undergone sudden change and becomes insolvent.

Emergency Rate Case Filings

- Hacienda Acres
 - Well failure, water hauling costs
- Heart Cab
 - Pump failures, and need for new water and pressure tanks
- Wilhoit Water
 - Arsenic remediation system failure
- Cerbat Water
 - Pump failure, emergency interconnection costs
- Park Water
 - Well failure, water hauling costs
- Payson Water Company
 - Well failure due to drought, water hauling costs
- Mirabell Water
 - Pump failure

Emergency Rate Case Filings

- Kohl's Ranch
 - Bankruptcy
- Eden Water Company
 - Interconnected water cost increase
- Yavapai Mobile Home Estates
 - Arsenic remediation system failure
- Picacho Water Improvement Corporation
 - Freeway realignment took away half the customers
- Tacna Water Management
 - Arsenic remediation forced new water source solution
- Golden Shores
 - Alleged financial misconduct by manager

Emergency Rate Case Filings

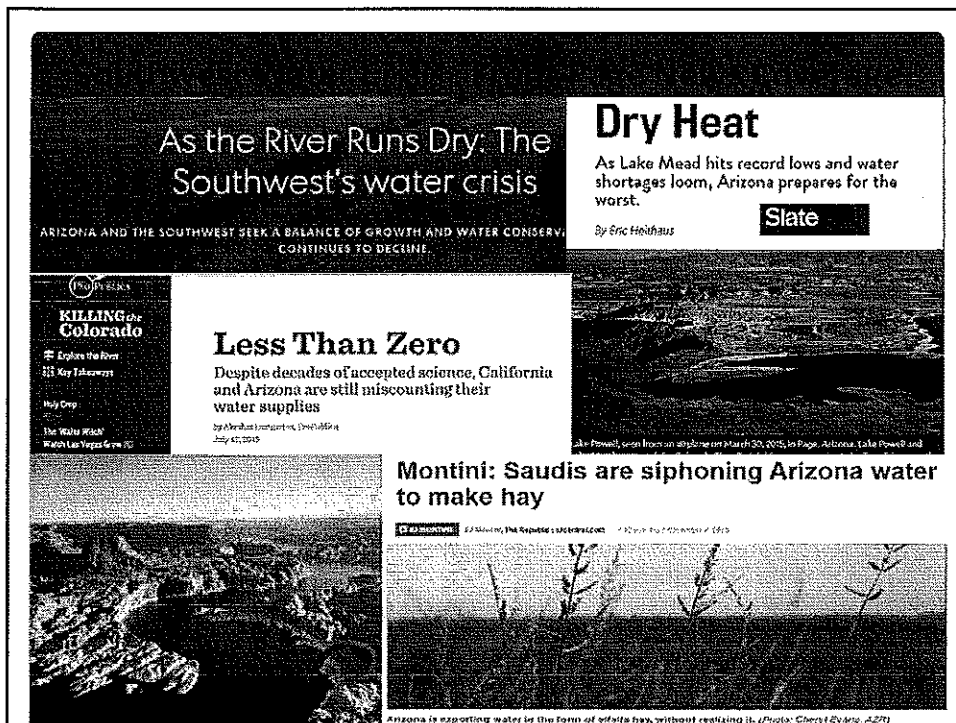
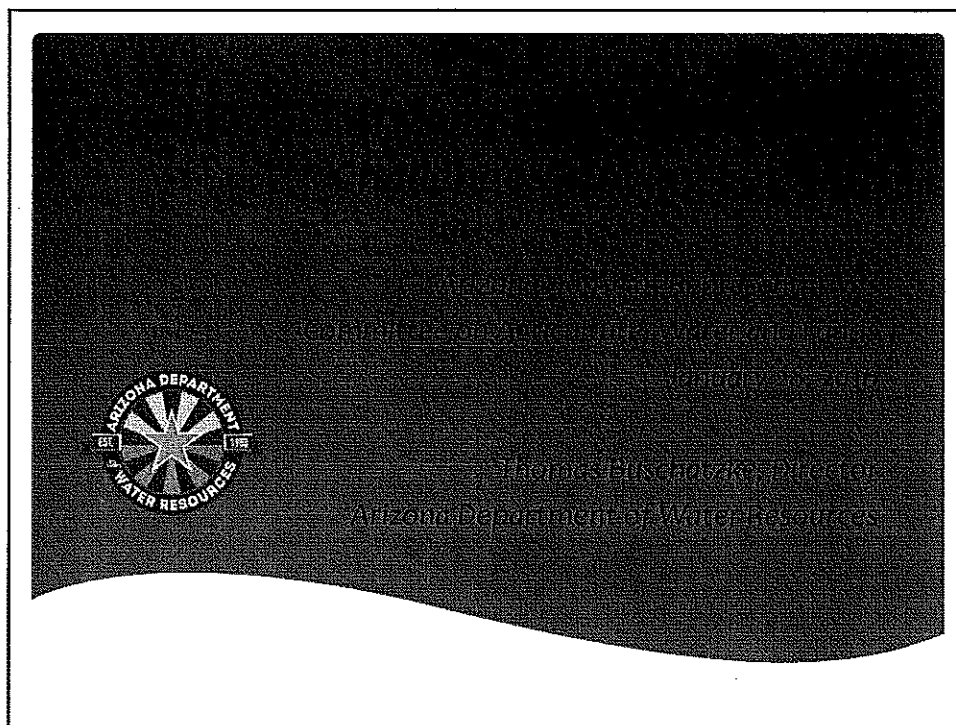
- Green Acres
 - Water system in total disrepair, shortages, outages, poor water quality
- Lake Verde Water
 - Arsenic remediation costs, ADEQ-required increase in storage capacity
- Jake's Corner
 - Arsenic remediation costs
- Arroyo Water
 - System in disrepair, outages, storage capacity shortfall
- Dateland Water
 - Well casing collapse, pump failure

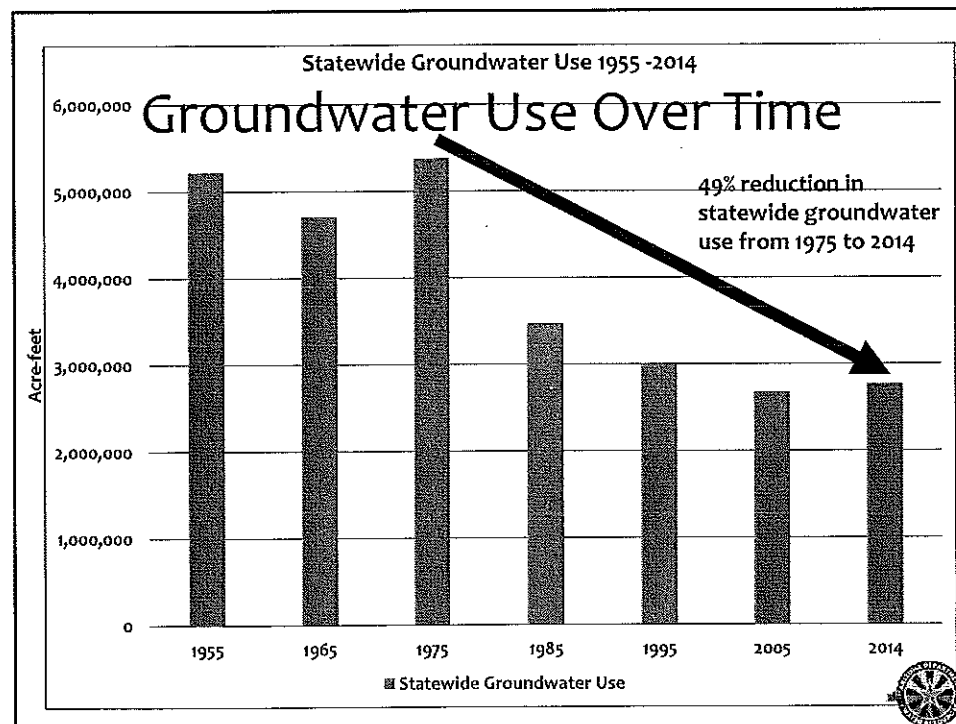
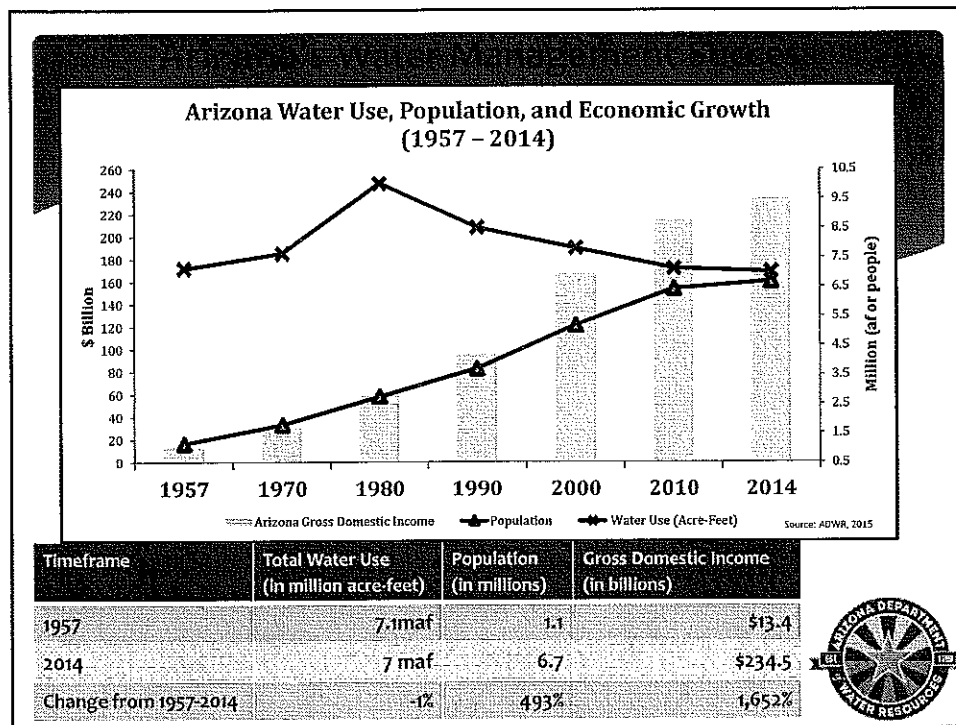
Interim Operators

When a system is fully non-compliant, the Commission appoints an Interim Operator to manage the system

Interim Operator Orders

- Beaver Valley
 - Failure to install well meter and attain a backup source of water
- Valle Verde
 - Exceeding Maximum Contaminant Levels, failure to have certified operator
- Mount Tipton
 - Failure to file water pumped/sold, failure to manage water loss, failure to file annual reports
- Hacienda Acres
 - Failure to comply with ADEQ, EPA standards
- Sabrosa Water
 - Failure to comply with ADEQ, EPA standards





Actions for the Future: Water Management Success

- Salt River Project 1904
- Yuma Irrigation Districts
- Colorado River Compact 1922
- Arizona v. California 1963
- Central Arizona Project 1968-1996
- Groundwater Management Act of 1980 & Amendments
 - Creation of Arizona Department of Water Resources
 - Mandatory Water Conservation Requirements
 - Drought Preparedness Plan Requirements
 - Assured Water Supply Program
 - Underground Storage and Recovery Program & Arizona Water Banking Authority
 - 9.0 million acre-feet stored for future use
 - Well Regulations



Arizona Department of Water Resources Annual Water Budget 2014

Water Source	Million Acre-Feet (MAF)		% of Total
SURFACE WATER			
Colorado River		2.8	40 %
CAP	1.6		23%
On-River	1.2		17%
In-State Rivers		1.2	17%
Salt-Verde	.7		
GROUNDWATER		2.8	40%
RECLAIMED WATER		0.2	3%
Total		7 MAF	

Source: ADWR, 2015



Arizona's Challenges

Driving Forces

- 16 year ongoing drought
- Population and economic growth will increase demand for water

Short-term Challenges

- Risks to Colorado River Supply
 - Shortage on the Colorado River System is likely
 - Recurring Lower Basin Annual Deficit

Medium-term Challenges

- Water resources in rural areas of the state are more stressed
 - Primary water source is groundwater
 - Lack of groundwater regulation
 - Lack of groundwater data
 - Rural areas lack the resources to address their issues

Long-term Challenges

- Growing statewide imbalance between existing water supplies and demand projected in the next 25 years and 50 years

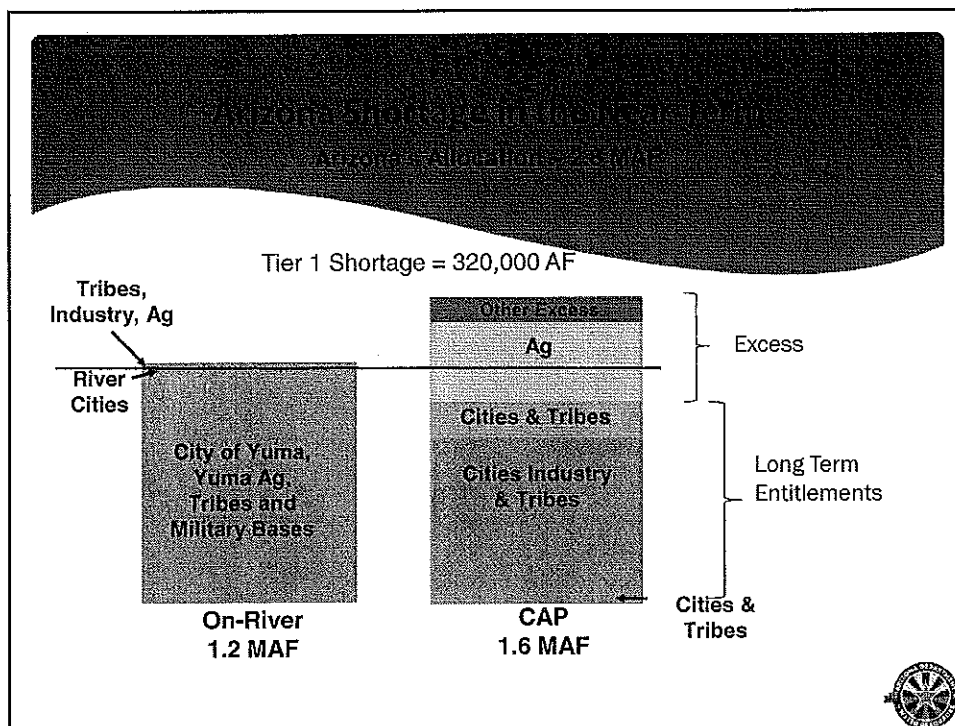
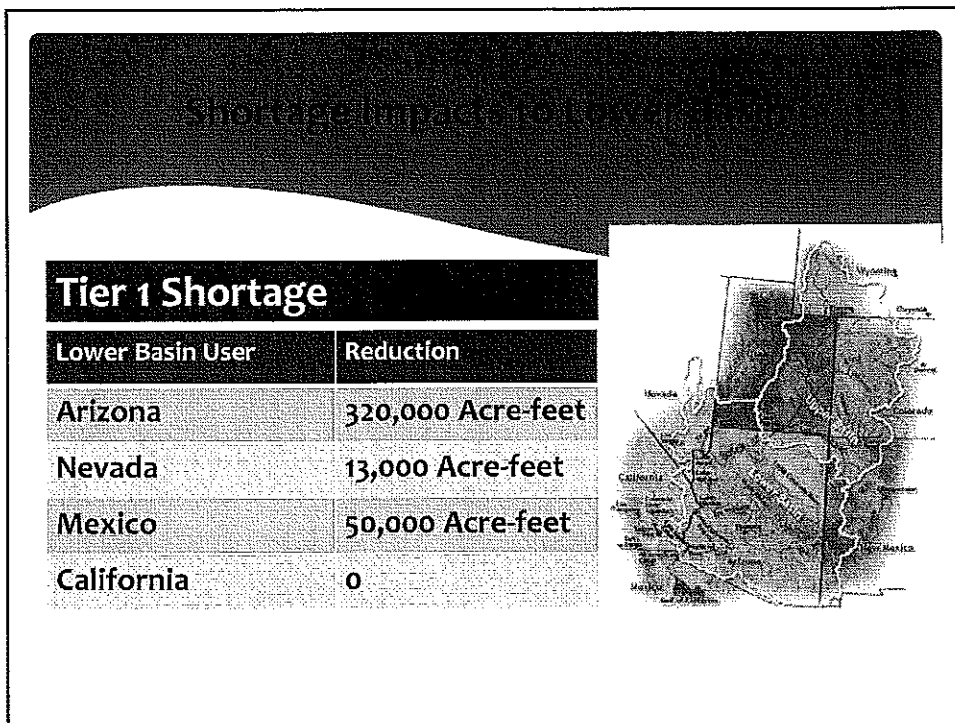


Challenges on the Colorado River Probabilities of Lower Colorado River Basin Shortage

	2016	2017	2018	2019	2020
Probability of any level of shortage (Mead \leq 1,075 ft.)	0	18	52	65	59
1 st level shortage (Mead \leq 1,075 and \geq 1,050 ft)	0	18	42	47	35
2 nd level shortage (Mead $<$ 1,050 and \geq 1,025 ft)	0	0	10	14	18
3 rd level shortage (Mead $<$ 1,025)	0	0	0	4	7

Source: U.S. Bureau of Reclamation CRSS Model Run – August 2015





Efforts to address challenges on the Colorado River Drought Contingency Planning

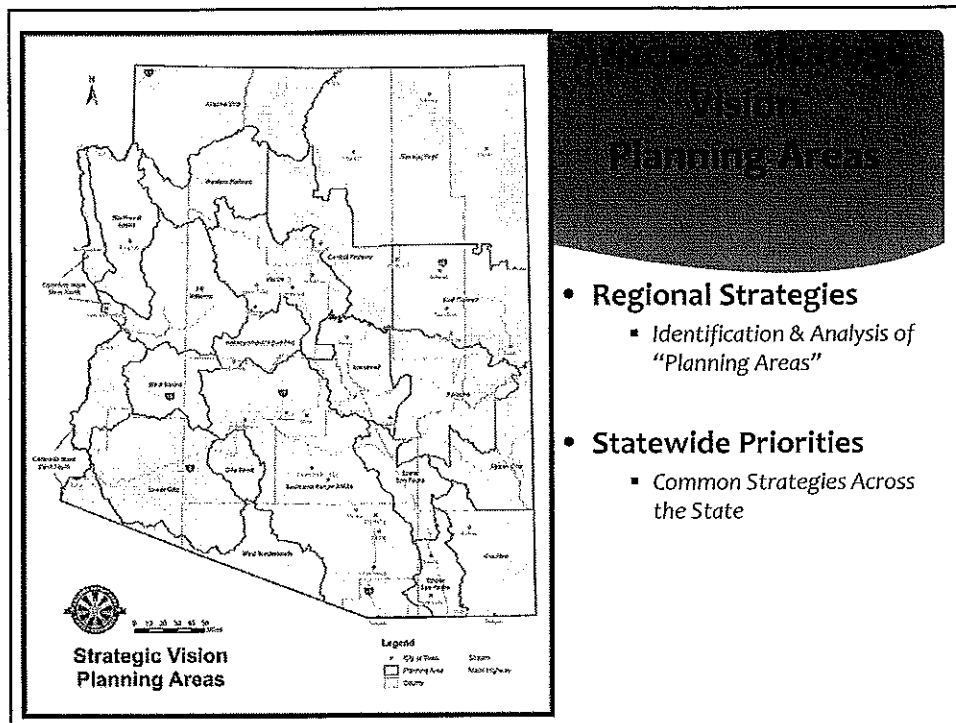
- ADWR Director serves as Arizona's Principal on matters relating to the Colorado River (A.R.S. 45-107(D))
- Discussions between:
 - Basin States
 - Department of the Interior
 - Other contract holders
- Goal of discussions:
 - Restore risks to levels achieved in the 2007 Guidelines
 - Conserve 1.5 – 3.0 MAF in Lake Mead over the next 5 years
 - Reduce the risks of Lake Mead falling below 1,000 ft. elevation as we saw in the 2013 model projections
- Memorandum of Understanding
 - Central Arizona Project = 345,000 AF
 - Metropolitan Water District = 300,000 AF
 - Southern Nevada Water Authority = 45,000 AF
 - Bureau of Reclamation = 50,000 AF
- Bypass Flows Work Group



Arizona Strategic Vision for Water Supply Sustainability

- Published in January 2014
- **Purpose:** To identify strategies to help address Arizona's future water needs and provide a stable economy for the future
 - Used existing information
 - Identified local options first
 - Identified priority strategies
- **Conclusion:** Ultimately, the State of Arizona is not facing an immediate water crisis
 - Growing statewide imbalance between existing water supplies and demand projected in the next 25 years
 - There are some local areas that require more immediate action





Planning for Arizona's Water Future

Governor Ducey's Water Initiative

Purpose: To help ensure the certainty and vitality of Arizona's water supply long into the future.

- Announcement made on October 5, 2015
- Continues the work published in Arizona's Strategic Vision
- Initiative involves two parallel tracks...

*Arizona's Next Century:
A Strategic Vision for Water Supply Sustainability*

January 2011

Governor's Water Initiative First Track

First track:

- Prioritize and evaluate all of the 22 Planning Areas identified in the Strategic Vision
- ADWR will work closely with 22 Planning Areas individually to refine water supply and demand issues and identify strategies to meet future water demands.
 - Cochise and West Basins are the initial target Planning Areas
 - West Basins Planning Area initial meeting is scheduled for January 30th in Wenden
 - ADWR is working on prioritizing the other Planning Areas



Governor's Water Initiative Second Track Governor's Water Augmentation Council

Second track:

- Governor's Water Augmentation Council created to investigate long-term augmentation strategies, explore additional water conservation opportunities and identify infrastructure needs
 - ADWR Director will serve as chairman
 - Council will report back to the Governor with policy direction or statutory changes
 - Annual progress report will be due July 1st
 - Council will hold its first meeting February 2016



ADWR Permit Efficiency Projects

Notice of Intent to Drill/Deepen/Modify Well Permit Applications

Goal: to reduce lead time to process Notice of Intent to Drill/Deepen/Modify Well Permit Applications. ADWR receives approximately 3,000 applications annually.

Payoff:

- Reduced the lead time for permits by 49% from 12 calendar days to 6.08 days
- ADWR estimates an overall reduction of 432 work hours annually (approx. 54 days/yr.)

Underground Storage Facility Permit

Goal: to reduce lead time to process Underground Storage Facility Permit Applications

Payoff:

- Reduced the lead time for permits by 52% from 385 days to 185 days
- ADWR estimates an overall reduction of 1,127 work hours annually (approx. 141 days/yr.)

Electronic Reporting Goal: Have all applicable reporting and permitting forms available online.

Payoff:

- Direct link to water providers for annual water use reporting purposes
- 100% of annual water use report forms for community water systems located outside of active management areas can be filed electronically
- Currently 61% of annual water use report forms for water users within active management areas can be filed electronically



Future ADWR Efficiency Projects

Recovery Well Permit Applications

Goal: to reduce licensing timeframe to process Recovery Well Permit applications by 50% by July 1, 2016.

- Through this process Department staff will analyze the permit review process for inefficiencies.

Department Website Redesign

Goal: to have the Department's website completely redesigned and available to the public by July 1, 2016.

- Through this process the Department's staff will review all current website documentation and pages for accurate and pertinent information which will benefit our customers.



Questions

Thomas Buschatzke
Director

Phone: 602.771.8426

Email: tbuschatzke@azwater.gov

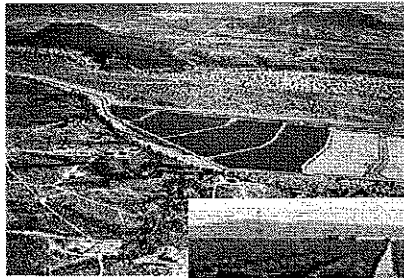
Website: www.azwater.gov

Twitter: @azwater



PROTECTING
ARIZONA'S WATER SUPPLIES
for ITS NEXT CENTURY

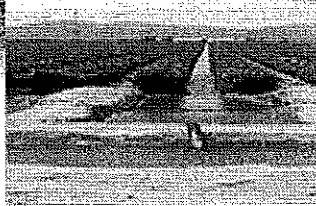
Arizona Water Banking Authority: protecting Arizona water users from shortages



Presented to House of Representatives
Agriculture, Water & Land Committee

January 28, 2016

Presented by
Virginia O'Connell, AWBA Manager



Arizona Water
Banking Authority

What are the purposes of the AWBA?

Created in 1996 to store Arizona's unused Colorado River entitlement in central AZ to meet future needs:

- Provide back-up (firmed) supplies to Colorado River M&I contractors and CAP M&I subcontractors during shortages
- Assist in fulfilling AMA water management objectives
- Support the settlement of AZ Tribal water rights claims
- Provide a mechanism for interstate water banking
- Provide water banking services for others



Arizona Water
Banking Authority

AZ Water Settlement Act Obligations

- Provide up to 23,724 AFY when CAP NIA Priority supplies are insufficient to meet demand (until 2107)
 - Same priority as CAP M&I subcontract supplies
 - 15.0 KAF Gila River Indian Community (350 KAF)
 - 8.7 KAF Future settlements (200 KAF)
- Provide \$3 million to federal government
 - Satisfied in 2009 (~34 KAF in LTS credits)
- Establish a replenishment bank (15 KAF)
 - Satisfied in 2015
- Replenish excess groundwater pumped annually from lands adjacent to southern portion of GRIC lands (i.e. southside protection zones)



Arizona Water
Banking Authority

How is the AWBA Funded?

- Groundwater Withdrawal Fees
 - Rate statutorily established
 - Collected by AMA
- *Ad valorem* Tax \$\$
 - Levied by CAWCD with approval of Board to devote funds to AWBA
- State general fund appropriation
 - Provided annually at discretion of Legislature
- Other sources
 - Interstate funding
 - Gifts, Grants, Donations



Arizona Water
Banking Authority

How does the AWBA accomplish its mission?

Administration Budget –Fiscal Year

- Cost of Services paid to ADWR and CAWCD

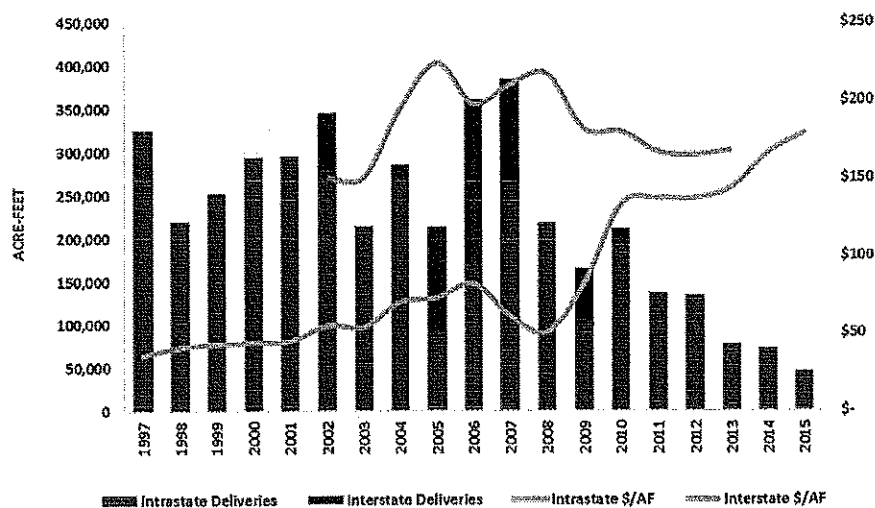
Operational Budget – Calendar Year

- Prepares Plan of Operation
 - Coordination with ADWR, CAWCD, Tribes, Storage Partners
 - Public Review
- Pays for delivery of CAP water
- Reports activities to ADWR – Issues storage credits
- Prepares Annual Report



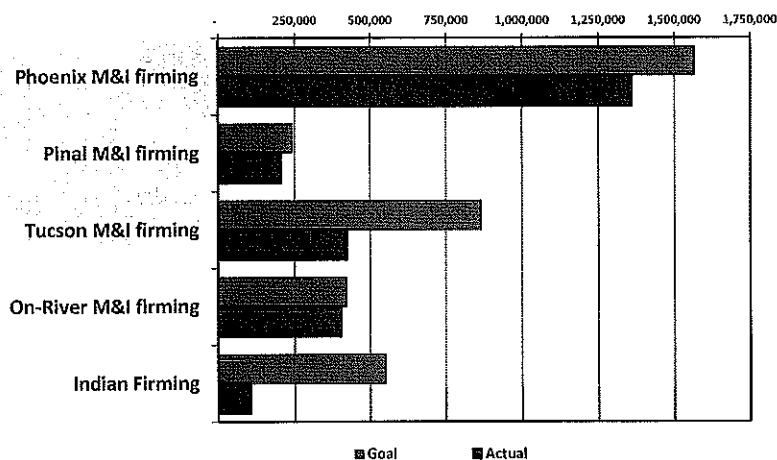
Arizona Water
Banking Authority

AWBA Deliveries and Cost/AF by Year



Arizona Water
Banking Authority

Progress Toward Meeting Firming Goals (AF)



Arizona Water
Banking Authority

On the Horizon...

- **Preparing for potential future shortages**
 - Implementation phase of recovery planning
 - Firming plans for future Indian settlements
- **Increasing costs**
- **Meeting goals without relying on Excess CAP water**
- **Continued coordination with partners in the water community is key to continued success**



Arizona Water
Banking Authority

Questions



Arizona Water
Banking Authority

www.azwaterbank.gov



HOUSE OF REPRESENTATIVES

HB 2331

small water systems fund; appropriation

Prime Sponsor: Representative Barton, et al., LD 6

X Committee on Agriculture, Water and Lands

Committee on Appropriations

Caucus and COW

House Engrossed

OVERVIEW

HB 2331 appropriates \$500,000 from the General Fund to the Small Water Systems Fund in FY17.

PROVISIONS

1. Appropriates \$500,000 from the General Fund to the Small Water Systems Fund (Fund) in FY17 for emergency grants to interim operators for repairs of small water systems.
 - a. Exempts the funds from lapsing.

CURRENT LAW

No statutory appropriation to this fund.

ADDITIONAL INFORMATION

A.R.S. § 49-355 defines a small water system as a public water system serving no more than 500 connections. The Fund was established by Laws 1987, Chapter 317, under the Department of Environmental Quality and statute allows the Fund to be administered by the Water Infrastructure Finance Authority (WIFA). Statute allows WIFA, on recommendation of the Arizona Corporation Commission (ACC), to approve emergency grants from the fund to an ACC appointed interim operator only if the interim operator demonstrates that immediate financial assistance is needed to replace, repair, or rehabilitate public water system infrastructure.

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - Second Regular Session

ROLL CALL VOTE

COMMITTEE ON AGRICULTURE, WATER AND LANDS BILL NO. HB 2331

DATE January 28, 2016 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Mrs. Benally		✓			
Mrs. Cobb		✓			
Ms. Fann		✓			
Mrs. Gabaldón		✓			
Mr. Montenegro					✓
Ms. Otondo		✓			
Mr. Pratt		✓			
Mr. Shope		✓			X AR
Mr. Mitchell, Vice-Chairman		✓			
Mrs. Barton, Chairman		✓			
		9	0	0	1

APPROVED:

Brenda Barton
BRENDA BARTON, Chairman
DARIN MITCHELL, Vice-Chairman

April Riggs
COMMITTEE SECRETARY

ATTACHMENT 7

ARIZONA STATE LEGISLATURE
Fifty-second Legislature - Second Regular Session

COMMITTEE ATTENDANCE RECORD

COMMITTEE ON AGRICULTURE, WATER AND LANDS

CHAIRMAN: Brenda Barton VICE-CHAIRMAN: Darin Mitchell

DATE	1/28/16	/16	/16	/16	/16
CONVENED	9:06 a.m.	m	m	m	m
RECESSED					
RECONVENED					
ADJOURNED	10:32 a.m.				
MEMBERS					
Mrs. Benally	✓				
Mrs. Cobb	✓				
Ms. Fann	✓				
Mrs. Gabaldón	✓				
Mr. Montenegro	✓				
Ms. Otondo	✓				
Mr. Pratt	✓				
Mr. Shope	✓				
Mr. Mitchell, Vice-Chairman	✓				
Mrs. Barton, Chairman	✓				

√ Present --- Absent exc Excused